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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 01/17/08

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ARTICLES:

(1) Poll on Fukuda cabinet, political parties, new antiterror law

YOMIURI (Page 2) (Full)
January 16, 2008

Questions & Answers

(Figures shown in percentage. Parentheses denote the results of a survey taken in December last year.)

Q: Do you support the Fukuda cabinet?

Yes 45.6 (52.5)
No 41.6 (35.3)
Other answers (O/A) 3.5 (3.3)
No answer (N/A) 9.3 (9.0)

Q: Which political party do you support now? Pick only one.

Liberal Democratic Party (LDP) 35.5 (35.3)
Democratic Party of Japan (DPJ or Minshuto) 16.9 (17.1)
New Komeito (NK) 2.2 (2.5)
Japanese Communist Party (JCP) 2.3 (2.1)
Social Democratic Party (SDP or Shaminto) 1.0 (0.8)
People's New Party (PNP or Kokumin Shinto) 0.2 (0.3)
New Party Nippon (NPN or Shinto Nippon) --- (0.1)
Other political parties --- (0.2)
None 40.7 (40.8)
N/A 1.3 (0.7)

Q: The Diet has now enacted a new antiterror law to resume the Maritime Self-Defense Force's refueling activities in the Indian

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Ocean for naval vessels belonging to multinational forces engaging in antiterror operations in Afghanistan. Do you appreciate this legislation?

Appreciate very much 16.1
Appreciate somewhat 31.3
Don't appreciate very much 26.1
Don't appreciate at all 17.8
N/A 8.8

Q: The new antiterror law was enacted in a second vote of the House of Representatives after it was voted down in the House of Councillors. Do you think it was appropriate?

Yes 41.4
No 45.7
N/A 12.9

Q: On the issue of pension record-keeping flaws, the government promised to check about 50 million unaccounted-for pension records for benefit payments to all. Late last year, however, the government admitted that it would be difficult to identify all. Do you think this is a breach of public pledge?

Yes 54.8
No 40.5
N/A 4.7

Q: Prime Minister Fukuda announced that the government would provide across-the-board relief to all hepatitis C victims of government-approved blood products over their class action lawsuits against the government, and the Diet has now enacted a law for that purpose. Do you appreciate Prime Minister Fukuda for his response to this issue on the whole?

Appreciate very much 38.0
Appreciate somewhat 43.5
Don't appreciate very much 11.8
Don't appreciate at all 4.0
N/A 2.7

Q: Currently, gasoline prices include a tax for roads in conformity

with a law. This law is due to expire at the end of March this year. If the tax is not added thereafter, gasoline prices will go down. However, the government and local public entities will fall into a substantial shortfall of revenues for their budgets. Do you think it would be better to continue this tax by extending the law, or do you otherwise think it would be better to discontinue the tax?

Continue 29.9
Discontinue 61.1
N/A 9.0

Q: Prime Minister Fukuda visited China late last year and met with Chinese leaders, including President Hu Jintao. Do you appreciate his China visit this time on the whole?

Appreciate very much 23.4
Appreciate somewhat 41.2
Don't appreciate very much 20.2
Don't appreciate at all 7.1
N/A 8.1

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Q: Do you appreciate the DPJ's response in the current Diet session on the whole?

Appreciate very much 5.7
Appreciate somewhat 28.2
Don't appreciate very much 41.5
Don't appreciate at all 17.2
N/A 7.3

Q: Do you think the DPJ is competent to take office?

Yes 29.2
No 59.8
N/A 11.0

Q: When would you like the House of Representatives to be dissolved for a general election? Pick only one from among those listed below.

As early as possible 19.6
In the spring of this year 9.3
After this July's G-8 summit 22.2
Within this year 18.0
Sometime during the current term up until September 2009 22.2
N/A 8.7

Q: If an election were to be held now for the House of Representatives, which political party would you like to vote for in your proportional representation bloc? Pick only one from among those listed below.

LDP 34.7
DPJ 22.2
NK 2.7
JCP 3.0
SDP 1.5
PNP 0.5
NPN ---
Other political parties ---
Undecided 34.4
N/A 0.9

Polling methodology
Date of survey: Jan. 12-13.
Subjects of survey: 3,000 persons chosen from among all eligible voters throughout the country (at 250 locations on a stratified two-stage random sampling basis).
Method of implementation: Door-to-door visits for face-to-face interviews.
Number of valid respondents: 1,780 persons (59.3 PERCENT).

(2) Poll on Fukuda cabinet, political parties, MSDF refueling mission

Questions & Answers
(Figures shown in percentage, rounded off.)

Q: Do you support the Fukuda cabinet?

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Yes 36.6 (41.1)
No 47.3 (40.3)
Don't know (D/K) + Can't say which (CSW) 16.1 (18.6)

Q: Which political party do you support?

Liberal Democratic Party (LDP) 32.1 (32.2)
Democratic Party of Japan (DPJ or Minshuto) 25.0 (26.5)
New Komeito (NK) 4.0 (3.6)
Japanese Communist Party (JCP) 3.5 (3.1)
Social Democratic Party (SDP or Shaminto) 2.1 (2.6)
People's New Party (PNP or Kokumin Shinto) 0.6 (0.7)
New Party Nippon (NPN or Shinto Nippon) 0.3 (0.1)
Other answers (O/A) 0.9 (1.3)
None 30.6 (28.2)
D/K + Can't say (C/S) 0.9 (1.7)

Q: Do you appreciate Prime Minister Fukuda and his government on the following points?

His personal character
Yes 58.0 (62.3)
No 33.4 (22.6)
D/K+CSW 8.6 (15.1)

His leadership
Yes 24.4 (28.5)
No 62.7 (43.1)
D/K+CSW 12.9 (28.4)

Foreign policy
Yes 30.9
No 48.8
D/K+CSW 20.3

Economic policy
Yes 17.0
No 64.7
D/K+CSW 18.3

North Korea policy
Yes 14.0 (15.5)
No 70.2 (60.3)
D/K+CSW 15.8 (24.2)

Response to Defense Ministry scandals
Yes 17.5 (13.3)
No 73.2 (66.9)
D/K+CSW 9.3 (19.8)

Response to pension issues
Yes 28.0 (31.2)
No 64.0 (53.9)
D/K+CSW 8.0 (14.9)

Response to hepatitis C infections
Yes 74.1 (43.5)
No 20.1 (37.5)
D/K+CSW 5.8 (19.0)

Q: What do you think about those listed below in connection with the

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newly enacted antiterrorism law intended to resume the Maritime Self-Defense Force's refueling mission for multinational forces in the Indian Ocean?

The new antiterror law was enacted

Good 45.1

Questionable 43.8

D/K+CSW 11.1

The Diet took time to deliberate, and the MSDF pulled out

Good 52.5

Questionable 35.2

D/K+CSW 12.3

The opposition-dominated upper chamber took time to deliberate

Good 48.8

Questionable 42.0

D/K+CSW 9.2

The ruling parties took a second vote in the lower chamber with a majority of two-thirds

Good 39.4

Questionable 48.4

D/K+CSW 12.2

DPJ President Ozawa abstained from voting in the lower chamber's last plenary sitting

Good 12.1

Questionable 77.0

D/K+CSW 10.9

Q: The ruling coalition holds a majority of the seats in the House of Representatives, and the opposition bench dominates the House of Councillors. What do you think about this lopsidedness in the Diet? Pick only one from among those listed below.

That's good because there's political tension 13.8 (13.9)

The ruling and opposition parties should compromise 40.1 (41.3)

The House of Representatives should be dissolved at an early date for a general election 43.7 (41.3)

DK+C/S 2.4 (3.5)

Q: Do you support a "grand coalition" of the LDP and the DPJ?

Yes 33.7

No 54.6

D/K+CSW 11.7

Q: The Fukuda cabinet has taken over almost all of the former Abe cabinet's ministers. Do you think the Fukuda cabinet should be shuffled substantially at an early date?

Yes 44.0 (41.1)

No 51.1 (49.2)

D/K+CSW 4.9 (9.7)

Q: When would you like the House of Representatives to hold its next election?

During the first half of this year 23.6 (35.8)

After this July's G-8 summit in Japan and during the latter half of

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this year 45.9 (29.9)

Upon the current term's expiry or early next year 29.0 (19.9)

D/K+C/S 1.5 (4.8)

Q: Which political party's candidate would you like to vote for in the next election for the House of Representatives?

LDP 34.4

DPJ 33.9

NK 4.1

JCP 3.9

SDP 2.6

PNP 0.5
NPN 0.3
O/A 9.2
D/K+C/S 11.1

Q: What form of government would you like to see after the next election for the House of Representatives?

LDP-led coalition government 28.5 (29.7)
DPJ-led coalition government 32.5 (32.1)
LDP-DPJ grand coalition 34.4 (29.3)
D/K+C/S 4.6 (8.9)

Q: How long do you think the Fukuda government will continue?

Until around the next election for the House of Representatives 46.7 (56.2)
Until the fall of next year 34.0 (21.9)
Continue until after the fall of next year 15.8 (10.3)
D/K+C/S 3.5 (6.9)

Q: A gasoline tax law is due to expire this spring. What do you think about this?

Extend the gasoline tax for local traffic networks 28.6
Abolish the gasoline tax in view of rising oil prices and other circumstances 66.2
D/K+C/S 5.2

(Note) Figures in parentheses denote the results of the last survey conducted Nov. 10-11 last year.

Polling methodology: The survey was conducted Jan. 13-14 by the Sankei Shimbun and Fuji News Network (FNN) over the telephone on a computer-aided random digit dialing (RDD) basis. For the survey, a total of 1,000 persons were sampled from among males and females, aged 20 and over, across the nation.

(3) DPJ enjoys high support rating despite its blunders; People pin hopes on the party being better than others

TOKYO SHIMBUN (Page 2) (Abridged)
January 17, 2008

The major opposition Democratic Party of Japan (DPJ or Minshuto) held a convention yesterday in which it adopted an action program for 2008 specifying that the party will aim at achieving an Ichiro Ozawa administration. In various opinion polls, the party's support rates have been high since the House of Councillors election last

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July. If a House of Representative election is held this year, the 10th anniversary of the establishment of the DPJ, the party might win and assume power despite its blunders. Why?

The DPJ's support rates in the past often fluctuated around the 10 PERCENT level. Rates occasionally topped the 20 PERCENT line following the party's leaps in national elections, but they always returned to the usual low level in just several months.

The party's support rate marked a record 37.6 PERCENT immediately after last year's Upper House election. In a poll in mid-January, nearly six months after the previous election, the party scored 27.0 PERCENT, only 5 points behind the Liberal Democratic Party (LDP). Given a series of blunders by the DPJ during that period, including Ozawa's resignation fiasco, this phenomenon seems mysterious.

One plausible explanation is that people may now think the DPJ is better than the LDP that has been taking the wrong steps.

Despite the ruling coalition's crushing defeat in the Upper House election, former Prime Minister Shinzo Abe announced that he would stay in office, but he soon resigned from the post at the beginning of the previous extraordinary Diet session. Chief Cabinet Secretary Nobutaka Machimura and others offered improper explanations about

pension-record mismanagement, drawing heavy fire. A senior DPJ Upper House member noted: "People are increasingly distrustful of the government because of the pension fiasco. They think that management by the current administration is so sloppy that they are willing to accept (an administration) by any other party."

High approval ratings seem to be connected to some extent with the increased presence of the DPJ, which has become the largest party in the Upper House. Being a relatively young party, the DPJ was occasionally mistaken for the former Democratic Socialist Party in rural areas. The Upper House election has transformed the DPJ into a party holding the key to the enactment of bills.

It is certain that the DPJ's popularity comes from growing public interest in politics due to the divided Diet where the ruling bloc no longer holds absolute numerical superiority.

The public also has a keen sense of urgency because of growing socioeconomic disparities and other factors.

Today's data are far more serious than those when the Hosokawa non-LDP coalition cabinet was established in August 1993. At present, one out of three is a nonpermanent employee and is not paying into the National Pension Plan. National and local debts have also ballooned.

Feeling anxious about the future, people seem to be willing to let the DPJ run the government for a change. "Voters have greater expectations for regime change than us," a mid-level DPJ member said.

The DPJ, however, has passed up opportunities to take over the reins of government over the last several years. At the party convention, Ozawa declared that he will stake his political life on the next Lower House election.

Interview with Masaki Taniguchi, associate professor at the University of Tokyo

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The Tokyo Shimbun asked Masaki Taniguchi, a University of Tokyo associate professor of modern Japanese politics, why the DPJ has been able to enjoy high support rates since the Upper House election last summer.

For one thing, the LDP has been sloppy. The party has yet to come up with a plan to build a solid socioeconomic system since suffering a crushing defeat in the Upper House election last summer. Although the Fukuda cabinet seemingly wants to win greater public support by implementing specific policies, there have been noticeable delays and failures. Public opinion is that the DPJ is better than the LDP.

The DPJ's plan to provide the child allowance of 26,000 yen per month is a policy of interest to urban areas with dropping birthrates. A plan to implement an income-subsidy system for farmers is appealing to local districts, and another plan to reform the pension system is a policy of interest to a wide range of people from the young to elderly. The DPJ has been more skillful to play up its livelihood-oriented policies than the LDP. It seems easy to find reasons to support the DPJ.

The DPJ's shift toward bread-and-butter policies under the leadership of Ichiro Ozawa seems to have struck a chord with general voters.

But in terms of foreign and security policies, the gap between DPJ supporters and its lawmakers is bigger than that of other parties. The party has put some policies on the back burner because views in the party are diverse. When that part comes under close scrutiny, some might initiate a "political realignment game" in the capitol district of Nagatacho irrespective of public expectations.

(4) Overheated row over gasoline tax between LDP and DPJ

The Democratic Party of Japan (DPJ) held its annual convention yesterday, in which President Ozawa defined the upcoming regular Diet session as a session that will focus on the challenge of lowering gasoline prices. He stressed his resolve to block the government's plan to maintain the provisionally high tax rate on gasoline. If related bills are not passed by the time of its expiration in late March, gasoline prices will be lowered. Given that the gasoline issue is directly linked to family finances, the government and the ruling camp, out of a sense of alarm, emphasize that (if gasoline prices come down,) local governments will suffer revenue shortages and their finances will eventually be thrown into confusion. Industrial circles concerned are also worried about the overheated showdown over the gasoline issue.

"Now that the rises in gasoline and light oil prices are hitting the people's lives, we must step up efforts in the Diet to scrap the current provisional tax rate on gasoline, demonstrating our efforts to the people. We must lower the current gasoline prices by 25 yen (per liter)."

In the party convention in Yokohama, Ozawa positioned the regular Diet session as the first step toward a general election and stressed his enthusiasm to break the vested-interest structure over

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financial resources for road construction. Ozawa expects it will be possible to obtain public understanding because gasoline rates are part of living expenses. The Social Democratic Party (SDP) also decided to call for abolishing the provisional gasoline tax rate. With the Japanese Communist Party also joining them, the opposition bloc now locks arms against the government's plan.

Under the DPJ's plot, the party would prolong deliberations in the House of Representatives on a bill amending the tax special measures law, which includes a measure to extend the provisional tax rate beyond its expiration, up until early March and have the bill expired in the House of Councillors. If the ruling camp resorts to its two-thirds overriding vote in the Lower House, the opposition camp will adopt a censure motion against the prime minister in the Upper House, calling on the government to dissolve the Lower house while boycotting deliberations "with an indomitable resolve," as said by Diet Affairs Committee Chairman Kenji Yamaoka.

In a meeting of the national LDP secretaries generals held at party headquarters yesterday, the secretary general of the Wakayama Prefectural Chapter commented: "We want the government to make more efforts to explain that the extension of the provisional gasoline tax rate will be better for local people's lives. Our party is behind the DPJ over this issue."

Reflecting such voices, the LDP leadership has drawn up a rollback strategy. The leadership distributed to lawmakers materials detailing that the abolishment of the provisional tax rate will inevitably deal a blow to local finances and people's lives, with a list of the expected amount of financial shortages to be accrued for each local government. Deputy Secretary General Hiroyuki Hosoda said: "Is it possible to win DPJ members in prefectural chapters over to our side? We expect you to make efforts to persuade local opposition members to be against the plan of lowering gasoline prices."

LDP prefectural assemblies' members will hold a rally on Jan. 23 to call for maintaining the provisional tax rate. About 20 DPJ-affiliated prefectural assembly members and DPJ lawmakers, including House of Councillors member Yasuhiro, are also expected to participate in the rally.

Concern is also growing in the DPJ. In the party convention yesterday, a representative from the Aomori Prefectural Chapter complained: "Local government heads are taking lead in preparing to attack the DPJ, out of the dissatisfaction that it will be impossible to construct roads and to use snowplows. I hope the party leadership will give a full explanation on its policy."

Both ruling and opposition camps are concerned about public opinion. In a speech in front of JR Sakuragi-cho Station in Yokohama City after the party convention, DPJ Deputy President Naoto Kan emphasized: "Public power is indispensable. I want you to stage citizens' campaign to prevent the ruling bloc from using an override vote in the Lower House.

(5) No criticism against Ozawa raised in DPJ in order to win Lower House race; Ozawa instead strengthens self-confidence

SANKEI (Page 5) (Full)
January 17, 2008

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The main opposition Democratic Party of Japan (DPJ or Minshuto) stressed in its annual convention yesterday a policy of forcing Prime Minister Yasuo Fukuda to dissolve the House of Representatives as early as possible. Advocating its determination to scrap the provisional gasoline tax, the DPJ is expected to turn up the heat on the government of Prime Minister Yasuo Fukuda with such issues as the government's mishandling of pension premium payment records. Diet Affairs Committee Chairman Kenji Yamaoka stated in a street corner speech that the DPJ would present a censure motion against the Prime Minister if the ruling coalition takes a lower chamber override vote on annual revenue-related bills to maintain the provisional tax rates. In the annual convention, however, no criticism was raised against President Ichiro Ozawa's dogmatic acts. This appears to be the weakness of the DPJ, which relies on Ozawa's political power.

When asked in a press conference after the convention about criticism against his conduct of having left the plenary session on Jan. 11 of the Lower House, Ozawa responded in a strong tone: "I promised from before to go to Osaka to support the gubernatorial campaign. As party head, I make my own priorities about my own duties." He rebutted with his argument mixed up the official duties of cabinet ministers and party duties: "The prime minister and state ministers do not attend all plenary sessions, do they? Why do you criticize me but not them?"

In the DPJ there was a view critical about Ozawa's abstention from voting. Some DPJ members were perplexed at his act. Concerned about more criticism of Ozawa coming up, Secretary General Yukio Hatoyama and other senior party members apologized on behalf of Ozawa. In the press briefing, Ozawa bluntly said, "I don't know what the secretary general talked about."

It seems that the fact that there was no view criticizing Ozawa in the convention is one of the reasons Ozawa has bolstered his self-confidence.

A veteran lawmaker explained: "In a bid to win the Lower House election, the DPJ has to rely on Ozawa's political power. It is not time to criticize him." The said lawmaker made this comment: "The political dynamics that is the same as the one in the internal uproar last November over Ozawa's on again off again resignation is now operating."

There were DPJ members who expressed dissatisfaction to reporters. The party executives intend to conduct soon an opinion poll in all the Lower House single-seat districts. Election Campaign Committee Hirotaka Akamatsu said: "(Looking at the results of the survey) we may change candidates." This appears to become one of the reasons for preventing DPJ members from criticizing Ozawa.

The DPJ considers March the best chance to force the Fukuda government to dissolve the Lower House to call a snap general election because the annual revenue-related bills on the provisional tax rates, including the gasoline tax, are set to expire at the end of March.

The government and ruling parties initially pledged to complete the work of matching pension accounts that remain unidentified by the end of March as well. Therefore, the DPJ intends to force Fukuda

dissolve the Lower House around that time.

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Yesterday after the annual convention, a group of junior and mid-level lawmakers calling for reducing the gasoline prices, which was formed on Jan. 15, gave street corner speeches in front of JR Sakuragicho Station in Yokohama.

Among regional organizations of the DPJ and local assembly members, there still remains a view cautious about abolishing the provisional tax rates as they are concerned that road projects will be delayed.

Another issue remains unsolved is to form a coalition of opposition parties. The opposition camp failed to reach a consensus over how their response to the new antiterrorism special measures bill in the latest extraordinary Diet session. If a similar thing happens, "We will be unable to force the Prime Minister to dissolve the Lower House for a general election in March; as a result, we may have to act on the defensive," said a senior member. The DPJ is in financial difficulty, with Financial Committee Chair Taisuke Sato saying, "Although the leadership says funds should be mainly allocated to the election campaign, our party has a shortage of money. We will collect the deeds of the houses of senior party members to get loans." There are a number of hurdles for the DPJ to overcome before taking over power.

(6) Sapporo to call for self-restraint on events at three parks before and after Lake Toya Summit, as security measure against violence or terrorist acts

MAINICHI online (Full)
January 12, 2008

The Sapporo municipal government announced on Jan. 11 that if applications are filed for events planned at Odori, Nakajima, or Maruyama parks in Chuo Ward during the July 1-11 period, before and after the Lake Toya Summit, the government will ask their sponsors to cancel the events themselves or to change the places or times. This measure stems from the fear that events in the central part of the city may lead to violence or terrorist acts. The municipal government explains that this is not a regulation but a request. However, non-government organizations (NGOs) and civic groups, taking the measure as a move to restrict gatherings and speech, asked the city not to restrict the use of "parks open to the citizens."

An official of the city's administrative division said: "This is a measure giving top priority to the safety of the citizens. Ordinary gatherings will not be subject to the measure." Sapporo has in mind the Heiligendamm Summit, at which a large-scale demonstration was staged in the area and many people were injured or arrested in clashes between police and demonstrators.

The city explains that if an application is filed after the issuance of a request and if it is judged the planned event would not bother other people, based on the city ordinance on parks, the city would give permission. Even so, there are no definite standards. For gatherings or demonstrations in the three parks, permission from the municipal government is needed. Given this, NGOs are concerned that the city's move might become a regulatory measure in effect. Representative Koji Akiyama of the G-8 Summit Civic Forum Hokkaido, which has already applied for permission, complained: "It is excessive to restrict the use of the parks that should be opened to the public."

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Free PMF concert canceled

The municipal government has decided to cancel the annual Odori Park concert, a free concert as part of the international education music festival scheduled for July 6. Regarding a flower festival, the Sapporo summer festival, the creation of a flower garden, and a flea

market to be held at Odori Park, as well, coordination is underway to delay the dates.

(7) Australia's new government intensifies antiwhaling position, urges Japan to stop killing whales

TOKYO SHIMBUN (Page 6) (Full)
January 16, 2008

Michio Yoshieda, Manila

The Australian Labor Party-led government, which was established in last December, is bolstering its antiwhaling position by mobilizing patrol boats to watch Japanese research whaling vessels. When the new government was formed, it committed itself to implementing hard-line policies. Perhaps because of this stance, it has behaved in a way quite different from its predecessor government. Yesterday, antiwhaling activists including one Australian from an environmental protection organization created a commotion by jumping aboard a Japanese research whaling vessel on the high seas.

"The Australian government will formally urge Japan to stop killing whales." Both Foreign Minister Smith and Environment Minister Garrett of the Rudd government made this remark last December, when they described Japan's research whaling as a meaningless and cruel act. The two ministers declared they would put all their efforts into preventing whaling.

In Australia, whales are considered a symbol of environmental protection, so opposition against whaling is deep-seated among the people. The former Howard administration, mainly consisting of members of the Liberal Party, was also opposed to whaling, but the Labor Party in its election campaign criticized the Howard government as being lenient on whaling and declared it would be ready to send naval vessels to track the Japanese whaling fleet. The Labor Party also announced it would conduct monitoring when a new government was launched.

Monitoring includes watching research whaling by patrol boats and air planes, reinforcing the coalition of antiwhaling countries at the International Whaling Commission (IWC), and making protests against whaling. Furthermore, the Labor Party reportedly has a plan to send a special envoy for protection of whales to Japan in order to press it to stop whaling.

Monitoring is a visible, concrete action, so the Labor Party has drawn a lot of responses. The Customs' patrol boat "Oceanic Viking" and airplanes are tracing the Japanese whaling fleet navigating in the Antarctic Ocean. (The Labor Party) also says it will collect "evidence," such as photos, envisioning the possibility of taking the case to an international court. It is working for that end, but the government has been silent on the details of the Labor Party's activity. When asked about relations with Japan, Foreign Minister Smith reiterated that "because relations with Japan are close, they will not be affected." But some of the opposition parties are voicing concern about possible adverse effects.

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Local media and environmental protection groups are inciting the government. Regarding monitoring, for instance, they criticized the Labor Party as being slow to implement it. Three weeks after the announcement of monitoring, the party started such action, but some criticized monitoring as lacking substance or criticized the party as apparently being hesitant and not serious about monitoring Japanese ships.

Meanwhile, on Jan. 15, the Federal Court of Australia issued an order for research whaling in the protection zone designated by Australia to be stopped. This order has no binding force in terms of international law, but the anti-whaling campaign in that country is likely to further heat up.

(8) Kisha no Me (Reporter's eye) column by Nakae Ueno: Okinawa faces contradictions between U.S. bases and economic packages

Nakae Ueno

I visited Okinawa in last December to collect news materials for a serial titled "The Age of 'Emperor Moriya." This serial was to delve into the areas of defense policy in which former Administrative Vice Defense Minister Takemasa Moriya was involved. When I was collecting news information in the prefecture, I realized that contradictions existed between the presence of U.S. military facilities and economic packages offered by the central government.

"The problem Okinawa is facing is also a 10-year-old pending issue for me. No person other than me can explain why 10 years have been lost," Moriya told me in the fall of 2005, when I visited him before being transferred to the Mainichi Shimbun's West Japan Head Office. In response, I said, "I'm going to gather news materials in Okinawa."

"The lost 10 years" point to the problem of the return of the U.S. Marine Corps Futenma Air Station (in Ginowan City, Okinawa) to Okinawa, which has become a political challenge for both Japan and the United States following the occurrence of a rape of an elementary school girl by U.S. soldiers. Agreement on the full reversion of the Futenma base was reached in 1996 between Prime Minister Ryutaro Hashimoto and U.S. Ambassador to Japan Mondale. Local protests greeted the plan to relocate Futenma to an offshore airfield.

Later, Japan and the U.S. struck a deal on a plan to relocate the Futenma base to the coastal area of Camp Schwab. But the way Japan's central government and the U.S. government negotiated that plan, without consulting Okinawa, resulted in strong objections in Okinawa. The Defense Agency (now Ministry of Defense) continued negotiations with Nago City and later added changes to the initial plan and decided to construct two airstrips that would be V-shaped. In May 2006, Japan and the U.S. again reached an accord (on the V-shaped airstrips plan). But Okinawa remains unconvinced even now two years after the accord was reached. It continues to call on the central government to alter the plan. Strains continue between Okinawa and the central government.

Why has there been a lost of a decade? I will answer the question

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for Moriya. The reason is because the relocation of the Futenma base and a package of economic development measures for the northern part of Okinawa have been made a set. I felt the remarks made by Moriya just before he was arrested were on target: "The governor is the problem. Isn't there anyone among the heads of municipalities in the northern region of Okinawa who is willing to play the role of a bad guy?"

The initial reason dates back a decade. The central government came out with a set of economic promotion measures for 12 municipalities in the northern part of Okinawa in order to influence a referendum in Nago City on the construction of an offshore heliport, but the result of the referendum was that a majority opposed the construction. In December 1997, however, Tetsuya Higa, then mayor of Nago City, accepted the construction plan on the condition that a package of economic measures would be provided to the northern region, but he then declared he would step down as mayor. After some bumps and detours, the Okinawa governor expressed his opposition to the economic package for the northern region. The package was being implemented in line with a promise that the package would be worth 100 billion yen over 10 years starting in 2000.

By obtaining cooperation from those heads of municipalities in the northern region who sought to continue the economic package, Moriya forced Okinawa to accept the V-shaped airstrips construction plan. He then decided to halt implementing the package, citing as the reason that "if they continue to receive money even though there has been no progress on the relocation plan, they are simply portraying themselves as lacking self-reliance." Later, however, Moriya, meeting with calls by heads of northern-region municipalities for

the continuation of the package, revived the package but in name only. Until he stepped down as vice minister, Moriya would not allow the budget for the package to be used.

The people of Okinawa denounced "carrot-and-stick approach" used by the government for the set of economic measures for the northern region. Moriya criticized the package as stemming from Okinawa's "lack of self-reliance." But relations between the bases and such economic measures go back to Okinawa's reversion to Japan in 1972.

Tsuneo Oshiro, professor emeritus at the University of the Ryukyus

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who was involved in the Okinawa Promotion and Development Plan (currently Okinawa Promotion Plan) the central government had hammered out when Okinawa was reverted to Japan, made this comment: "The package of economic measures for Okinawa from the beginning has been linked to the U.S. bases." "For the central government, the primary purpose of the development plan is 'how to maintain U.S. bases in a stable manner.' This purpose was made much clearer with the addition of promotion measures including those for the northern region, which were taken after the elementary school girl rape incident," Oshiro continued. The central government offers financial resources and works out projects to be implemented. Simply in terms of the effects, the package of pump-priming measures for the northern region is a microcosm of the economic promotion measures for Okinawa as a whole.

In the 2006 gubernatorial election, in which incumbent Governor Hirokazu Nakaima was elected, there were signs that the Okinawan people were prioritizing economic affairs and were tolerating the presence of the bases. But the reality is that because of the existence of bases, Okinawa has no choice but to call for economic measures. The more Okinawa seeks such measures, the more it finds

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itself unable to separate itself from the bases. This vicious spiral has continued since Okinawa's reversion to Japan. The spiral has been even worse after the agreement was reached on the return to Okinawa of the Futenma base, whose theoretical purpose was to reduce Okinawa's base burden.

Last month, the central government decided to lift the freeze on the implementation of the set of economic measures for the northern region with the aim of letting Okinawa sit at the table for talks on the Futenma relocation. But this is not a real solution. Some 75 PERCENT of U.S. military bases in Japan are concentrated in Okinawa, forcing it to shoulder most of the burden of the Japan-US security alliance. If the central government forces Okinawa to continue to play that role in the future, the first matter to do is to discuss a new set of measures that will actually help Okinawa to become economically self-reliant. The populace in Okinawa desire neither a burden reduction in name only nor promotion measures financed by the central government in return for Okinawa's acceptance of the base burden. All this raises a fundamental question about the Japan-U.S. security arrangements.

(9) Editorial: Bring about growth with M&As that can turn change into opportunity

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January 15, 2008

It was revealed early in the new year that JFE Holdings and IHI have started talks to integrate their ship-building businesses. Mergers and acquisitions (M&A) are bound to become a major focus of corporate management this year as well. The business environment is unclear, what with such concerns as the slowing of the U.S. economy, the soaring of natural-resource and energy prices, and plummeting stock prices. We would like to see business managers opt for M&As that will turn change into opportunity for corporate growth, instead of their being swayed by the changes going on.

Japan's global share stands at only about 3 PERCENT

An increasing number of Japanese companies now use M&As as an option

for corporate management. However, M&As in Japan are not so highly visible. According to Thomson Financial, a financial information service provider, the value of M&As throughout the world last year reached approximately \$4.48 trillion, resetting a record high. Japan was involved in less than 3 PERCENT of that activity. Given the fact that Japan accounts for about 10 PERCENT of the aggregate market value and gross domestic product (GDP) in the world, the figure is small.

The subprime loan issue surfaced last summer. Since then, European and American banks have become cautious about highly risky lending of funds for purchases of companies, deteriorating investment funds' capital procurement capability. As such, some take the view that the global M&A boom has passed its peak.

However, it could be taken instead that now is the chance for Japanese companies, whose financial structure is strong and corporate performances are good. That is because there is a better chance of carrying out M&As with lower costs, as can be seen in the fact that competition with investment funds over target companies for mergers and acquisition has decreased. Teijin President Toru Nagashima said, "Now is the best opportunity to carry out M&As,

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looking at it from the opposite perspective." Canon President Tsuneji Uchida and Mitsubishi Corporation President Yorihiro Kojima

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expressed in their New Year messages their determination to tackle M&As in a proactive manner.

Of course, cost is not the only condition for a successful M&A. For a successful M&A, it is essential to first clarify a mid- to long-term business strategy and goals to tackle at the pre-negotiation stage. M&As are prone to fail to work if an acquiring company tries to diversify its business into areas remote from its main line of business, without having a basic policy regarding which business areas should be strengthened.

Looking at companies that have expanded operations through M&As, many of them clarified the main line of business to be strengthened, as can be seen in that Nidec Corporation focused on motors and JS Group Corporation centered on the diversification of housing-related businesses. Kirin Holdings last year decided to purchase Kyowa Hakko. It also acquired a leading Australian dairy products company. These decisions are apparently made, based on the company's key business areas of food and health.

Acquiring companies is not the only aspect of M&As. Companies should be positive about the idea of becoming a seller of business areas in order to sell off unprofitable businesses for the sake of selecting out and concentrating operations and introducing other companies' capital, technology and management know-how. In particular, there is large room for introducing foreign capital.

According to Recof, an M&A service provider, foreign companies acquired a record number of 308 Japanese companies last year. Japan in May last year lifted a ban on triangular mergers, which enable foreign companies to buy Japanese companies using their own stocks as merger consideration. However, there was only one successful case last year -- the purchase of Nikko Cordial Securities by Citigroup of the U.S.

Many companies now cross-hold stocks to fend off hostile takeover bids. However, it would not be possible to attract capital both from domestic and foreign investors, if they fail to show a growth strategy to investors, giving the impression that their stance is inward-looking. The global flow of money has drastically changed. Investment funds, newly emerging countries, such as China, and oil-producing countries in the Middle East have emerged as investors. In order to attract global money, by changing the image that Japanese companies have a closed nature, it may be worth considering that Japan Airlines, for instance, which thinks itself as Japan's representative carrier, procures funds from foreign companies.

How to manage new company after M&A counts

Needless to say, it is important to produce management results after the achievement of an M&A. In an M&A between companies in the same line of business, there are many cases in which expected effects were not produced, because a merger between rival companies could give rise to friction due to differences in their corporate climate.

In the merger carried out by Nidec Corporation, President Shigenobu Nagamori himself spearheaded a cost reduction effort and reform of staff-consciousness in the merged company. Japan Servo, which it

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bought from Hitachi, had been running an operating deficit for two straight terms until the previous term. However, its operational performance moved into the black six months after the merger.

There is no fixed method of running a merged company. Kenjiro Unshod, the founder of Tostem, a leading construction material company, and the former chairman of JS Group Corporation, said, "Whether businesses acquired through an M&A will get on track will largely depends on who will manage those businesses." Selecting such a person is one of the key jobs of the top leader.

When the top persons of previous companies share chairmanship and presidency, how closely they communicate will largely determine the integrity of the new company. A gap in the management policies of the two top persons would bring about an internal split. Top management personnel are responsible for paving the way for producing synergy effects, by disseminating the management policy of the new company.

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